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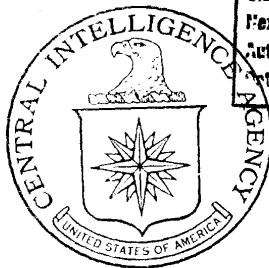
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26 April 1956

CURRENT INTELLIGENCE WEEKLY SUMMARY

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CENTRAL INTELLIGENCE AGENCY
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State Department review completed

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CONFIDENTIAL**CURRENT INTELLIGENCE WEEKLY SUMMARY**

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T H E W E E K I N B R I E F**PART I****OF IMMEDIATE INTEREST****ARAB-ISRAELI SITUATION Page 1**

Arab-Israeli border tension has been reduced following the 18 April cease-fire agreement between Egypt and Israel. Israel considers the UN-sponsored arrangement only a "postponement of war" and has not demobilized first-line military units or reduced civilian control measures. The Egyptian government is continuing its activities among the Arab states and has issued a statement that arms shipments from the Soviet bloc will proceed. . [REDACTED]

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**THE BRITISH POSITION
IN THE MIDDLE EAST Page 2**

Britain sees its position throughout the Middle East threatened by Egypt's increasingly energetic anti-British activity, but is encouraged by developments at the recent Baghdad pact council meeting. Britain particularly welcomes the American announcement of association with the pact's economic committee. [REDACTED]

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**BULGANIN-KHRUSHCHEV VISIT
TO BRITAIN Page 3**

Bulganin and Khrushchev appear to be surprised and frustrated by the cool reception they have been receiving, both in their public appearances in Britain and in private conferences with British leaders. Khrushchev has shown his irritation by intemperate and even threatening remarks. His speech at a Labor Party dinner, which antagonized Labor leaders, ended in a fiasco, and may have undermined the Soviet campaign to promote ties with Western European Socialists. [REDACTED]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

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PART II

NOTES AND COMMENTS

NEW SOVIET OVERTURES

TO TURKEY AND IRAN

Page 1

The USSR apparently hopes that its recent diplomatic and economic overtures to Turkey and Iran will undermine Turkey's role in NATO and weaken the allegiance of both Turkey and Iran to the Baghdad pact. Moscow probably believes it can convince Turkey that its commitments to Western defense planning have been outdated by the Bulganin-Khrushchev foreign policies and are a useless drain on its economic resources. The two-week visit of the Shah to the Soviet Union in June will provide the Russians with an opportunity to shake the present Iranian government's determination to stick with the West.

NEW ARAB ALLIANCE

DIRECTED AGAINST BRITAIN

Page 2

The recent accession of Yemen to the Egyptian-Saudi-Syrian military alliance contributes little to the Arab military potential against Israel. It does, however, portend increasing Arab harassment of the British position on the littoral from Aden to the head of the Persian Gulf.

WORLD ZIONIST CONGRESS

IN JERUSALEM

Page 4

The "emergency" session of the 24th World Zionist Congress, which opened in Jerusalem on 24 April, devoted the first part of its discussions to Israel's security position as affected by the Soviet bloc arms deal with Egypt. The assembling of 500 delegates from some 50 countries gives Israel an opportunity to mobilize Zionist support and to make use of this world-wide influence and political strength.

GREEK GOVERNMENT CRISIS

Page 5

The crisis facing Greek prime minister Karamanlis as a result of Cypriot charges that Foreign Minister Theotokis was lax in pressing for Cypriot self-determination will probably end the government's moderation on the Cyprus issue. Karamanlis will probably be forced to take stronger action on Cyprus or risk losing control of the government to extremists.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

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DISARMAMENT AND GERMANY'S NATO TIES Page 6

In recent weeks there have been new expressions of sentiment in both West Germany and France in favor of a neutralized, unified Germany. The West German Free Democrats appear to be drifting toward the Social Democratic position that West Germany would be better off outside NATO, and important elements in France are pressing for new overtures to Moscow and a reassessment of the German situation. [REDACTED]

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POLICIES OF
THE NEW CEYLONESE GOVERNMENT Page 7

Prime Minister Bandaranaike intends to permit his coalition government to move gradually to the left, both in domestic matters and in foreign relations. While he may move to exchange diplomatic missions with the USSR and Communist China, he has indicated that he will wait until after the Commonwealth conference in June before committing himself on the questions of British bases and Ceylon's status in the Commonwealth. [REDACTED]

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SINGAPORE Page 8

Negotiations on self-government for Singapore, which opened in London on 23 April, probably will fail if Chief Minister Marshall persists in pressing last-minute demands, including one for local control of internal security. The British fear that the local elected ministers would be unable to preserve order and the island might fall under Communist control. Should the negotiations fail, Communist-inspired disorders in the colony are likely, and these could lead to reimposition of direct rule by the British. [REDACTED]

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AFGHANISTAN Page 9

Afghan prime minister Daud apparently intends to encourage the United States and the Soviet bloc to compete in offering aid to Afghanistan in the belief that expanded ties with both sides will ensure Afghanistan's independence as well as its economic development. However, Kabul's heavy commitments to the bloc and Daud's objective of building strength against Pakistan may make it increasingly difficult for Afghanistan to maintain freedom of action. [REDACTED]

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SOVIET-JAPANESE FISHING TALKS Page 10

By issuing a decree putting teeth into the North Pacific fishing restrictions to be enforced on 15 May, the Soviet Union has indicated that it will follow a tough policy in the Moscow fishing talks with Japan. Moscow is probably trying to put pressure on Japan to resume diplomatic relations with the USSR. [REDACTED]

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ANTI-STALINISM DEVELOPMENTS
IN THE USSR Page 11

Developments in the USSR in the past two weeks suggest that the Soviet leaders are trying to work out a middle course between the "liberalism" engendered by the anti-Stalin campaign and the need to preserve party discipline and maintain the position of the present leadership. A speech by Pravda editor Shepilov noted the importance of "the role of the chiefs and leaders," and articles in Pravda and Party Life condemned "anti-party statements" by Soviet officials. At the same time, administrative measures were undertaken to control the work of Soviet state security organs to prevent a repetition of the abuses of the Stalin era. [REDACTED]

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ANTI-STALINISM CAMPAIGN
IN POLAND AND CZECHOSLOVAKIA Page 13

The Polish regime, apparently to demonstrate that a new era of legality and freedom of expression has opened, has dismissed seven high officials associated closely in the public mind with responsibility for the injustices of the Stalin era. Similar removals apparently are beginning in Czechoslovakia. [REDACTED]

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EAST GERMANY
MAY TIGHTEN BORDER CONTROLS Page 14

Additional border controls may be imposed by the East German regime before the May Day holiday in an effort to reduce the increasing flow of refugees. The confusion and movement in connection with the holiday would provide opportunities for flight to the West unless tighter border controls were effected. The May Day celebration probably will emphasize civilian rather than military aspects of East German life. [REDACTED]

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GOOD-WILL VISITS
OF SOVIET NAVY Page 15

The USSR is scheduled to conduct exchange naval visits with the Netherlands, Denmark, Sweden, and Norway in July and August. The purpose of these visits is not only to impress the small nations with Soviet good will but also with Soviet naval strength in European waters.

[REDACTED]

LABOR UNREST IN SPAIN. Page 15

The strike wave in northern Spain is the latest manifestation of the workers' discontent over the rising cost of living. The discontent has been increasingly vocal since the fall of 1955, and further unrest is likely unless the government carries out its promise to keep prices down.

[REDACTED]

[REDACTED]

POLITICAL TENSION IN PARAGUAY Page 17

The outlawed Communist Party in Paraguay is reported planning a general strike on 1 May to exploit rising dissatisfaction with the government and economic conditions.

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PART III

PATTERNS AND PERSPECTIVES

THE CHANGING ROLE OF NATO Page 1

The ministerial meeting of the North Atlantic Council on 4-6 May will take place amid widespread criticism of NATO as inadequate for countering Soviet expansion under the changed military and political conditions of 1956. Most of the criticism focuses on NATO's lack of political unity and direction. The council meeting, which will be attended by foreign ministers only, will concern itself with political and economic rather than military matters in a search for more effective methods of achieving political co-operation. [REDACTED]

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CURRENT SOVIET ECONOMIC DEVELOPMENTS Page 4

The rapid growth of Soviet industry will continue and the USSR will probably meet the industrial goals of the Sixth Five-Year Plan. Further forced expansion of the Soviet economy from what is already a large industrial base will require intensified development of raw material and energy sources, involving high capital outlays in these fields. [REDACTED]

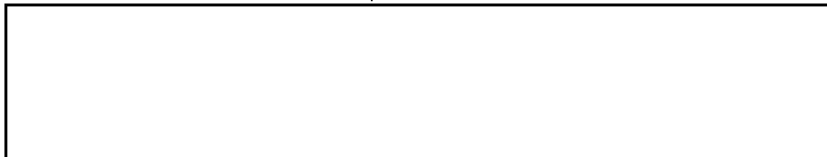
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OUTER MONGOLIA Page 8

Soviet leader Mikoyan's visit to Ulan Bator in early April and the conclusion of an aid agreement between the USSR and Outer Mongolia underscore Moscow's continuing predominance in the development of Outer Mongolia. Of special interest to the USSR are the oil and mineral resources in the country, now being increasingly exploited as a result of the completion of the Trans-Mongolian Railroad. Despite Chinese Communist interest in Outer Mongolia, traditionally Chinese territory, Peiping shows no present inclination to press its claims. [REDACTED]

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PART I

OF IMMEDIATE INTEREST

ARAB-ISRAELI SITUATION

The 18 April cease-fire agreement between Egypt and Israel negotiated by UN secretary general Hammarskjold has resulted in a noticeable decline of tension between Israel and the Arab states. Only a few incidents of shooting across the Israeli-Egyptian borders have been reported in recent days, although a serious violation occurred on the Israeli-Jordanian border on 23 April.

Israeli officials feel a crisis with Egypt has been averted temporarily but contend that the UN cease-fire is only a "postponement of war," since the basic issues in the Arab-Israeli dispute have not been resolved and the arms imbalance remains. Israel continues to maintain all first-line military and support groups on extended active duty and to keep in effect civilian control measures aimed at war mobilization.

Hammarskjold, after discussions in Syria, is now in Jordan in an attempt to obtain additional cease-fire arrangements. An agreement between Israel and Syria has become more difficult to achieve because both states have injected into the border discussions the problem of the Jordan River diversionary canal. Israel has announced its intention of resuming work this season on the canal within the demilitarized zone at Banat Yacov, and Syria is making a cease-fire agreement conditional on the guarantee that Israel will be prohibited from further work on the proposed canal.

A military delegation from Jordan, led by the chief of

staff of the Arab Legion, is scheduled to arrive in Cairo this week. Lebanon is under pressure from Saudi Arabia and Egypt to finalize a Lebanese-Syrian military alliance, which has been under discussion for the past several months.

Reaction to Soviet Statement

The Soviet statement of 17 April has been met with cautious encouragement in Israel, and with dismay and uncertainty in the Arab states.

Israeli officials felt the statement "marked a certain change" but doubted that it represented a permanent shift. Foreign Minister Sharett warned parliament on 23 April that it might foster rather than prevent war if it resulted in an arms freeze before the gap between Israeli and Arab strength was closed.

In the Arab states, official reaction was limited and somewhat cautious but reflected the sharply adverse press reaction in which even some of the pro-Soviet, anti-Western press attacked the statement. Some papers found in it a possible indication that their recently found champion was plotting with the West to the detriment of the Arab cause, and that the Arabs would be forced to settle with Israel. Some saw it as a Russian move to gain a voice in the Middle East and an end to unilateral action by the West. Most of the Arab press emphasized that the Arabs now could not depend on either East or West.

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Izvestia attempted on 21 April to clarify the statement and perhaps to mollify the Arabs by explaining that the USSR had intended to ensure calm on the demarcation line, not to recognize it as a permanent boundary. Moscow thus put itself on record as standing for peace in the area and, simultaneously, left the way clear for supporting Arab territorial demands against

the Israelis in any forthcoming negotiations in the United Nations. Two days later, in an apparent attempt to soften Arab disappointment, the Egyptian and Syrian governments informed the press that the USSR had assured them that the declaration did not indicate a change in its policy toward the Arabs and that it would continue to arm them as before.

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**THE BRITISH POSITION
IN THE MIDDLE EAST**

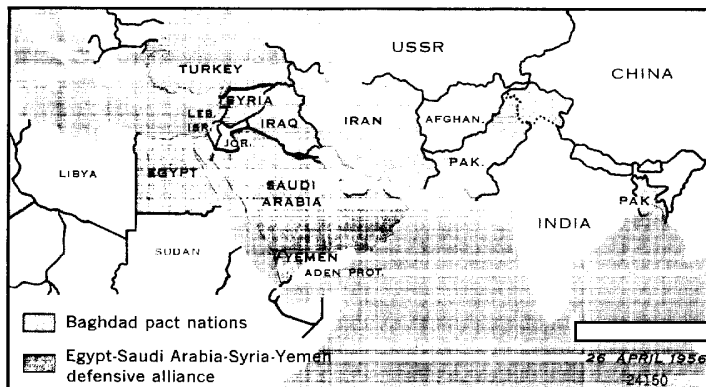
Though somewhat encouraged by developments at the recent Baghdad pact council meeting, Britain sees its position throughout the Middle East threatened by increasingly energetic anti-British activity by Egypt.

Views on Baghdad Pact

The British feel the council meeting on 16-19 April made some progress in strengthening the Baghdad pact. They were particularly encouraged by the American announcement of association with the pact's Economic Committee. A Foreign Office official remarked that he thought there was now no question of the pact breaking up "in the near future." Earlier statements show, however, that the British believe that over the long term, London and Washington will have to rely heavily on economic assistance to convince the Arabs of the advantages of co-operating with the West.

Specifically, the British seem to have in mind regional economic plans, such as the technical assistance board suggested by London on 31 March but not further pursued at the council meeting.

Britain is especially anxious to provide tangible benefits to Iraq, the sole Arab member of the pact and the locus of major British oil interests. London is preparing a sizable arms shipment to Iraq, apparently including armored cars or tanks, and presumably will make additional arms available on the occasion of King Faisal's visit to London in July.



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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****26 April 1956****Relations With Egypt**

Britain's relations with Egypt have steadily deteriorated. Cairo's virulent anti-Western propaganda on Cyprus, East Africa, and Bahrein, combined with other hostile Egyptian actions since Foreign Secretary Lloyd talked with Premier Nasr in early March, have apparently convinced the British that Nasr will not now co-operate with them.

On 25 March the Foreign Office took the unusual step of publicly criticizing Nasr for having broken a promise to Lloyd to restrain propaganda hostile to Britain and its Baghdad pact allies. Although Cairo radio broadcasts have since been less anti-British in tone, the British attitude regarding Nasr has not changed significantly.

Britain also seems to have abandoned for the present any attempt to influence Nasr directly on the Israeli question.

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Jordan and Saudi Arabia

Toward Jordan, Britain is evidently taking a cautious approach, announcing on 18 April that 27 or 28 British officers will continue to be assigned to the Arab Legion. Britain is also trying to encourage closer relations between Amman and Baghdad.

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At the moment, however, London is concerned that its position in the talks in Riyadh on the Buraimi question now scheduled to begin on 27 April will appear to have been seriously weakened by the Egypt-Yemen-Saudi Arabia defense alliance and Saudi-backed, Yemini pressure on the British in Aden.

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BULGANIN-KHRUSHCHEV VISIT TO BRITAIN

Bulganin and Khrushchev appear to be surprised and frustrated by the cool reception they have been receiving, both in their public appearances in

Britain and in private conferences with British leaders. Official British fears that the visit would appear like a triumphant tour have proved

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to be groundless, as for the most part crowds have greeted the Soviet leaders in silence or with more jeers than cheers.

Khrushchev has shown his irritation by intemperate and even threatening remarks which appear to have been spontaneous rather than deliberate and which have in turn increased the coolness of the British reception. These remarks are in contrast with the carefully prepared statements read by Khrushchev and Bulganin.

Labor Party Reaction

The dinner with top Labor Party leaders on 23 April was a fiasco from the Soviet point of view which may undermine the Soviet program to establish ties with West European Socialists and to promote the popular front concept. Khrushchev antagonized the Labor leaders by repeating the charges he made in India that Britain and France had urged Hitler to attack the USSR, and by defending the Stalin-Hitler pact. He further angered them by warning that if the West persisted in re-arming West Germany, the USSR would have no alternative but to seek an alliance with those forces in West Germany who desire an alliance. He added the threat that the USSR had "plenty of space to experiment with the hydrogen bomb."

The British Labor leaders replied with a plea for the release of Social Democrats and trade unionists in the USSR and the Satellites, which Khrushchev angrily rejected. Khrushchev was overheard to say that he found it "much easier to talk to the Conservatives than to the British Labor Party." His surprise

and anger at the Laborites' attitude was matched by their disgust at his performance, and one described him privately as a "simple-minded" man who would be capable of holding only a secondary position in a British trade union.

Disarmament

In the private discussions of the disarmament problem, the Soviet leaders have so far made no new proposals for the resolution of differences between the Soviet and Western approaches in the UN Disarmament Subcommittee in London. The British representative on the subcommittee, Anthony Nutting, told his Western colleagues on 23 April that the Russians appear to be "fed up" with the subcommittee and are very suspicious of the Western position. Khrushchev took the lead in attacking the American aerial inspection proposal, charging that it was designed solely to take photographs of the USSR for target and espionage purposes.

The Soviet leaders repeated Gromyko's explanation to the subcommittee that nuclear disarmament provisions had been omitted from the USSR's 27 March proposals because previous negotiations had proved it was impossible to solve nuclear and conventional problems simultaneously. They showed no interest in any Western ideas for a partial approach to disarmament and insisted that the Western powers had made any agreement more difficult by retreating from their earlier positions.

Soviet Propaganda Treatment

Soviet propaganda organs have viewed the visit through

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rose-colored glasses, reporting thousands of cheering Britains welcoming Bulganin and Khrushchev in their public appearances. The voluminous propaganda coverage has admitted that they have been greeted with "occasional hostile shouts" and some anti-Soviet posters carried by

"hooligans," and has attributed this hostility to "certain press organs." Nothing has been reported in Moscow about the Labor Party dinner. Although Khrushchev's Birmingham speech has received heavy play in Soviet organs, his reference to a missile with a hydrogen warhead has been deleted from the Soviet version.

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PART II

NOTES AND COMMENTSNEW SOVIET OVERTURES
TO TURKEY AND IRAN

The USSR apparently hopes that its recent diplomatic and economic overtures to Turkey and Iran will undermine Turkey's role in NATO and weaken the allegiance of both Turkey and Iran to the Baghdad pact. Moscow probably believes it can convince Turkey that its commitments to Western defense planning have been outdated by the Bulganin-Khrushchev foreign policies and are a useless drain on its economic resources. The two-week visit of the Shah to the Soviet Union in June will provide the USSR with an opportunity to shake the present Iranian government's determination to stick with the West.

Turkey

Moscow has increased its diplomatic attention to the Turks, especially since the first of the year, and has repeatedly offered economic assistance aimed primarily at exploiting Turkey's economic crisis. Mikoyan reportedly told Turkey's Prime Minister Menderes in Karachi during the Pakistani Republic Day ceremonies that Turkish membership in NATO and the Baghdad pact was no obstacle to improving Soviet-Turkish relations.

He suggested an exchange of visits and repeated Soviet offers of unconditional financial and economic assistance.

Mikoyan referred to Khrushchev's acknowledgment of Soviet responsibility for the rupture in Soviet-Turkish relations, elaborated on by Pravda and Izvestia editorials, as proof of the USSR's good intentions.

Turkish foreign minister Koprulu told the American embassy in Ankara on 11 April that the Soviet commercial attaché had said the USSR is willing to be more generous with economic and technical aid for Turkey than for India, Burma or Afghanistan.

Koprulu also confirmed that the Soviet attaché had approached the president of the Turkish Chamber of Commerce--who is also head of the Is Bankasi, which finances much of Turkey's business--with an offer to "put Turkish business back on its feet" by credits and outright gifts. The Soviet attaché then invited the Turkish businessman and his friends to come to the USSR and see for themselves what the Soviet Union could do.

These approaches to the Turks have made it clear that the USSR has abandoned its territorial claims against Turkey and that for the present at least the system for controlling the Turkish straits is satisfactory to Moscow. The Soviet ambassador in Karachi told the Turkish ambassador there on 9

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April that the USSR claimed nothing from Turkey except free passage through the Dardanelles, "which already exists." He added that the USSR, like Ataturk, was following a policy of keeping within its own boundaries.

There appears to be a growing belief in Moscow that the Soviet campaign is bearing fruit. Pravda on 3 April declared "There is already a large measure of recognition in Turkey of the importance of establishing good-neighborly relations and, particularly, economic contacts with the USSR, and it is the historic principles, approved by the Bandung conference, which Turkey attended among others, that can and should be taken as a guide for such relations." Some top-level Turkish officials have termed the Communist propaganda campaign aimed at Turkey as "brilliant."

Iran

Moscow apparently is preparing--as the Shah suspects--to present a case for closer political and economic relations with Iran, and may make offers which the Shah will find difficult to reject when he visits the USSR in June. The Shah told ambassador Chapin on 9 April that Mikoyan had admitted to past errors and expressed interest in the Shah's visit.

Moscow has also invited officials of the Iranian national bank to visit the Soviet Union. The visit ostensibly is for an inspection of Soviet banking establishments, but Moscow may make offers of financial and economic assistance to Iran. The Soviet leaders may believe reports of these offers would reach the Iranian public and weaken the Shah's determination to avoid closer ties with Moscow.

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NEW ARAB ALLIANCE DIRECTED AGAINST BRITAIN

The recent accession of Yemen to the Egyptian-Saudi-Syrian military alliance contributes little to the Arab military potential against Israel. It does, however, portend increasing Arab harassment of the British position on the littoral from Aden to the head of the Persian Gulf.

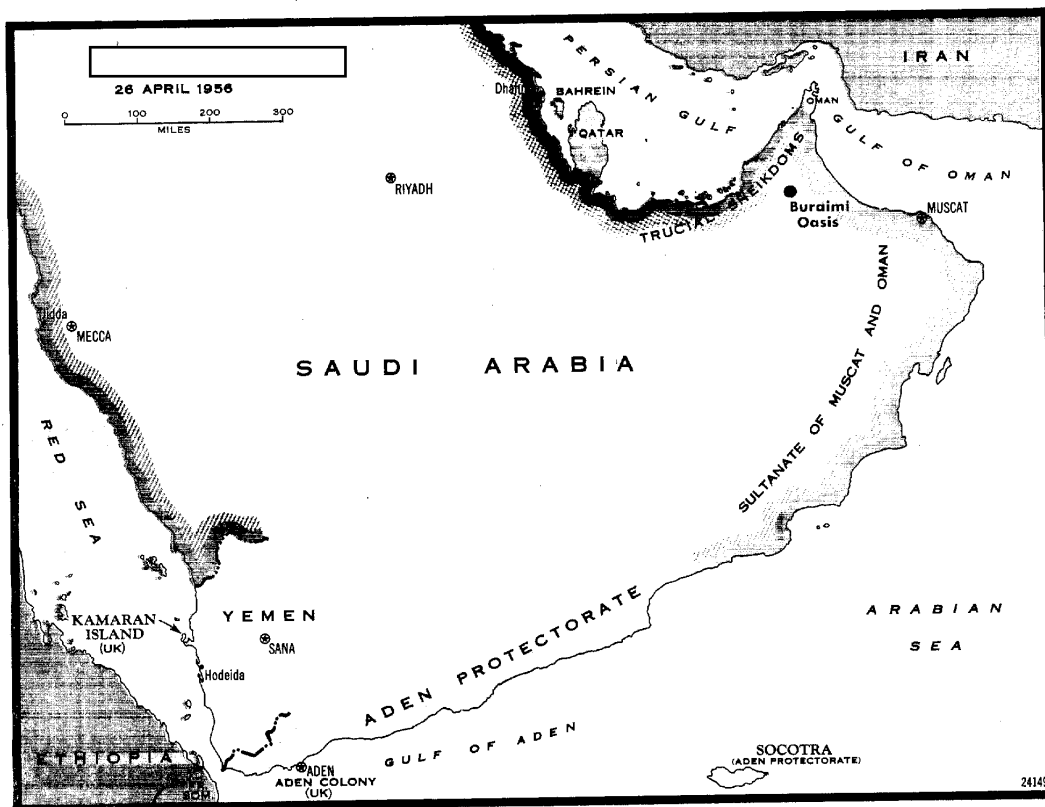
Saudi Arabia and Yemen are currently involved in serious disputes of sovereignty with Britain over the Buraimi Oasis and boundaries of the western Aden Protectorate. The Arabs have been encouraged by the receipt of large quantities of modern Soviet arms, together with promises of diplomatic

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support, and by indications of Britain's deteriorating power position.

Yemen

Yemeni intrigues against British influence have recently increased in the territory of the Aden Protectorate where the tribal leaders have received British subsidy and protection for over 100 years.

In mid-April, following a Yemeni attack on an outpost in the western Aden Protectorate, British authorities sent the usual warning of retaliation if Yemeni forces were not withdrawn from the protectorate by 23 April. Shortly before the deadline, however, the British governor of Aden is reported to have canceled the warning and agreed to discussions with Yemen.

Saudi Arabia

The British proposal to hold talks with Yemen is complementary to British plans to open discussions with Saudi Arabia in Jidda on about 26 April. These will be concerned

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with sovereignty over the Buraimi Oasis in southeast Arabia, which was occupied last fall by British-led forces of the sultan of Muscat.

Under these circumstances, prospects for a negotiated solution of the disputes do not appear favorable. The British seem to be exercising restraint in the awareness that any direct military intervention to support the subsidized tribes could be detrimental to their larger political and economic interests in the Near East.

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WORLD ZIONIST CONGRESS
IN JERUSALEM

The "emergency" session of the 24th World Zionist Congress, which opened in Jerusalem on 24 April, devoted the first part of its discussions to Israel's security position as affected by the Soviet bloc arms deal with Egypt. The assembling of 500 delegates from some 50 countries gives Israel an opportunity to mobilize Zionist support and to make use of this world-wide influence and political strength.

This source of strength plus a demonstration of support for Israel by the congress may exert a restraining influence on Israel. At the same time, the Israeli government will maintain that it, and not the congress, is the final authority on the country's domestic and foreign policies.

The World Zionist Organization, founded in Basle in 1897, is an international body of Zionist federations in nearly all countries of the world with Jewish populations. Its original mission was to help "establish for the Jewish people a public and legally assured home in Palestine." In 1954, its functions and status in relation to Israel were redefined:

the organization was to be concerned with immigration, resettlement, material and cultural development, and the raising and administration of funds, in accordance with Israeli laws. The controlling body, the congress, meets every few years. There will be no representation from the Soviet bloc at the current session.

Agenda

The congress is to devote about two days to discussing the present emergency confronting Israel. Seven days or so will be spent on Zionist work in general and on the structural reform of the world organization and its relations to other Jewish organizations working for the welfare of Israel. The main aims will be to find ways of increasing financial and political support of world Jewish Communities for Israel, and of accelerating immigration from among the nearly 500,000 Jews in North Africa, whose future is considered insecure.

Congress-Israel Relations

Prime Minister Ben-Gurion has taken the position in the past that Zionists outside

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Israel should have no voice in shaping the state's domestic or foreign policies and that the World Zionist Organization should not interfere in Israel's internal affairs. At the same time, however, Ben-Gurion is said to feel that the convocation of the congress is a spiritual and organizational weapon of such magnitude that he would be "loath to take action against the Egyptians without first

having availed himself of this major source of strength."

The World Zionists are not under the same emotional pressures and physical dangers as the Israelis, and are likely to be an element of cautious restraint on the Ben-Gurion government, which, nevertheless, will maintain its full control over Israel's domestic and foreign policies. 25X1

GREEK GOVERNMENT CRISIS

The crisis facing the Greek government as a result of charges by the Cyprus ethnarchy against Foreign Minister Theotokis probably will end the government's moderation on the Cyprus issue. The charges that Theotokis had not pressed sufficiently hard for Cypriot self-determination appeared editorially in the ethnarchy's press organ last week and have been reinforced in Athens by reports that Archbishop Makarios had opposed Theotokis' appointment.

The Greek cabinet announced on 24 April that it had unanimously decided to refuse Theotokis' resignation and could not admit outside intervention in its affairs. Theotokis has now agreed to stay in office, although he probably continues to believe that his retention will weaken the government's prestige and eventually result in forcing it out of office.

Prime Minister Karamanlis' support of his foreign minister may enable the government to weather the present crisis, but as a result of the Cypriot press attacks, it will be

forced to adopt a more active Cyprus policy to forestall now political attacks.

Since Theotokis' moderation has not elicited any British move to reopen negotiations on the Cyprus dispute, pressures for increased moral and material support to the Cypriot insurgents will probably become irresistible. Athens may also be pushed into making a dramatic gesture such as breaking relations with Britain or again suspending participation in NATO. 25X1

Karamanlis is not likely to countenance any weakening of Greek ties with the United States or a withdrawal from NATO. If political pressures force his resignation, however, the next government would probably be susceptible to neutralist and anti-Western influences. 25X1

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DISARMAMENT AND GERMANY'S
NATO TIES

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In recent weeks there have been new expressions of sentiment in both West Germany and France for a neutralized, unified Germany. The West German Free Democrats appear to be drifting toward the Social Democratic position that West Germany would be better off outside NATO, and important elements in France are pressing for new overtures to Moscow and a reassessment of the German situation.

Attitude of German Parties

The "alliance-free" German Socialists seem likely to get new support from the Free Democrats (FDP), who, since being ousted from the Bonn coalition in February, have embarked on a vigorous "unification" campaign and are searching for the Soviet "price." FDP chairman Dehler, who was re-elected to his position at the party convention on 20 and 21 April, has endorsed a unification plan which begins with Bonn's withdrawal from NATO.

The FDP convention was built around the theme of unification, and Saar leader Heinrich Schneider made a demagogic appeal for direct negotiations with Moscow and East Germany. The party also went on record as opposed to German conscription "at the present time."

Chancellor Adenauer's Christian Democratic Union (CDU) remains a strong supporter of West Germany's existing ties with the West.

Like other German parties, however, the CDU has been fearful lately that the conclusion of an international agreement on disarmament might leave Germany still divided. The CDU is also anxious to appear no less vigilant than other parties in defending Germany's national interests. Foreign Minister Brentano, therefore, recently announced to the press his government's intention to present its views on unification, disarmament and security to Moscow "very soon." Von Brentano disavowed, however, any intention of making new proposals or entering into bilateral negotiations.

French Policy

The Socialist chiefs of the present French government have on various recent occasions implied publicly that they are in basic disagreement with Western policy on the European security problem. Ambassador Dillon has reported his view that they are prepared to accept a reunified, neutralized Germany which would not have exclusive ties with the West. He believes that France would link such a status for Germany to a general disarmament agreement with the Soviet Union.

Premier Mollet now says that the French government's disarmament policy is based on the views of Jules Moch, French delegate to the UN Disarmament Subcommittee. Fanatically opposed to German rearmament, Moch has long accented disarmament as the major problem which must be solved before others,

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particularly the reunification of Germany, are attacked.

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POLICIES OF THE NEW CEYLONese GOVERNMENT

Ceylon's new prime minister, S. W. R. D. Bandaranaike, has indicated his intention to maintain firm control over his coalition government but to permit it to move gradually to the left both in domestic matters and in foreign relations.

Composition of Government

Apparently confident of the strength of his united front's absolute majority in the lower house of parliament, Bandaranaike has made no effort to seek the support of outside parties by giving their representatives cabinet posts. With the exception of Commerce Minister R. G. Senanayake, a hotheaded dissident who ran for election as an independent after being expelled from Sir John Kotelawala's United National Party, Bandaranaike's cabinet consists entirely of united front members. Senanayake, who had been commerce minister in Kotelawala's cabinet, was returned to that post, presumably because of his knowledge of trade arrangements with Communist China.

Bandaranaike's own Sri Lanka Freedom Party members hold all but three of the cabinet posts, including the strategic portfolios of defense, foreign affairs, home affairs,

finance, posts and broadcasting, and local government and culture. Bandaranaike has given the difficult posts of industry and agriculture to Trotskyite members of the coalition, who will have to take the blame for any failure to make speedy progress in improving economic conditions.

Aside from Bandaranaike, only two members of the cabinet are experienced politicians. These are Agriculture Minister Gunewardena, a Trotskyite and former member of the Communist Party, and Commerce Minister Senanayake. Several other cabinet members have records of sympathy for Communism, membership in Communist-front organizations, association with the pro-Communist newspaper Trine, political support from Communists, or convictions for corruption and political malpractices.

Early Developments

As evidence of its desire to satisfy the aspirations of its followers, Bandaranaike's government has already decided to suspend capital punishment for three years as an experimental measure and to make May Day a holiday with full pay for Ceylonese workers.

The government has also decided to investigate Voice

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of America activities in Ceylon, following a demand by Communist parliamentary deputy Pieter Keuneman that the Voice's broadcasting station be closed and the activities of the American-sponsored Asia Foundation ended. Bandaranaike may move fairly rapidly to exchange diplomatic missions with the USSR and Communist China and to open Ceylon to trade and cultural delegations from the Sino-Soviet bloc.

On the other hand, the prime minister has indicated that he will wait until after the Commonwealth conference in London in June before committing himself on the more important questions of the withdrawal of British bases and Ceylon's status in the Commonwealth. He already has to deal in parliament on 2 May with an official plea from a Tamil

member not to end Britain's base rights in northern Ceylon without the consent of the Tamil population of that area. Bandaranaike has also said that nationalization of industry and plantations must be a gradual process.

It is not yet certain that Bandaranaike can resist pressure from his cabinet for immediate sweeping changes, especially if these men themselves are under pressure from position-seeking far leftists, who constitute about a quarter of the membership of parliament.

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SINGAPORE

Negotiations on self-government for Singapore, which opened in London on 23 April, probably will fail if Chief Minister Marshall persists in pressing last-minute demands--including one for local control of internal security. Marshall has threatened to resign if his demands are not met. Should the talks collapse, Communist-inspired disorders in the colony are likely and these could lead to reimposition of direct rule by the British.

Marshall's Demands

Marshall's total demands amount, in effect, to full independence within the Commonwealth

by April 1957. An anti-Communist, Marshall apparently



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hoped that his terms would undercut the position and the appeal of the Communist-manipulated People's Action Party (PAP), which is represented on Singapore's all-party delegation to London. The PAP draws its strength from Peiping-oriented Chinese in Singapore's predominantly Chinese population.

The British probably would compromise on Marshall's demands but would refuse to grant full responsibility for security to elected ministers. Even if Marshall won the concessions he has asked for, he would probably soon be forced from office by left-wing elements and that it would only be a matter of time before effective power would pass into the hands of the Communists.

Large-scale Communist-influenced demonstrations have been planned for May Day and are expected also on 14 May, the anniversary of student arrests in 1954 and labor-student riots in 1955. Should the demonstrations be used by the Communists as occasions to foment serious disorder, the

British are prepared to suspend the Singapore constitution and reimpose direct rule.

British Plan

Britain believes the only solution to the problem of Singapore self-government is some form of association of Singapore with the Federation of Malaya, where the government has strong popular support and the problem of Communist subversion has not reached the dangerous proportions it has in Singapore. Malaya, however, refuses to consider dealing with Singapore's serious racial and Communist problems before it achieves independence itself, probably in August 1957. The British policy apparently is to maintain sufficient control in Singapore in the interim to prevent the seizure of power by increasingly strong Communist elements.

The British can maintain their hold by force, but this would necessarily be only a short-range solution inviting violence.

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AFGHANISTAN

Afghan prime minister Daud apparently intends to encourage the United States and the Soviet bloc to compete in offering aid to Afghanistan in the belief that expanded ties with both sides will ensure Afghanistan's independence as well as its economic development.

However, Kabul's heavy commitments to the bloc and Daud's objective of building strength against Pakistan make it likely that Soviet influence

will continue to predominate, and may make it increasingly difficult for Afghanistan to maintain freedom of action.

Daud told the American chargé in Kabul on 17 April that he would personally see to implementation of the United States' offer to develop Afghanistan's aviation, apparently assuming that the United States would be prepared to cooperate with the Soviet Union. He suggested that the US government

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might supply communications equipment for the Kabul airport and perhaps build the administration building while Moscow took care of the runways and taxi-strips.

The chargé comments that Daud apparently sees no political danger in the \$100,000,000 credit Afghanistan recently accepted from the USSR.

New economic deals are also being made with the bloc. The USSR is reportedly pressing Kabul to admit an East German diplomatic mission in order to ensure implementation of a \$5,000,000 credit recently offered by the East Germans. In addition, the Afghans are reported to have signed an agreement with Czechoslovakia on 14 February for the purchase of more than \$10,000,000 worth of telephone equipment.

Several shipments of small arms have apparently reached Afghanistan from the USSR in the past six months, but no formal arms agreement has yet been announced.

SOVIET JAPANESE FISHING TALKS

The USSR has given a clear warning that it intends to follow a tough policy in the talks on fishing rights with the Japanese delegation which is now en route to Moscow. Izvestia published on 21 April a government decree which puts teeth into the regulation of 20 March restricting salmon fishing in the North Pacific. Moscow is probably trying to put pressure on Japan to resume diplomatic relations.

It was to offset the effects of this regulation, which becomes operative on 15 May, that Japan proposed the fisheries talks. In accepting the proposal, Moscow agreed to discuss "piscatorial conservation and aid to ships in distress," and has not elaborated on its intentions.

Terms of Soviet Decree

The 21 April decree sets up weight limits for catches,

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establishes penalties for violations, including fines and confiscation, and states that Soviet patrol boats will enforce the restrictions. Promulgation of the decree at this time suggests that the USSR will present the Japanese delegation with disadvantageous terms on a take-it-or-leave-it basis.

The USSR has reportedly promised a newly organized Japanese fishing combine, with unknown backing, favorable consideration of its application to fish within the restricted area on Soviet terms. The combine has announced its intention to send a fleet separate from that already approved by the government for the 1956 fishing season. The government, however, has indicated it will not permit the combine to operate because the Soviet licensing action constitutes interference in Japanese internal affairs.

The USSR probably feels that this unexpected competition for the restricted fish quotas available to the Japanese will

add to the exasperation of Japanese fishery interests, already anxious for a definite settlement of the fishing issue.

Minister of Agriculture and Fisheries Kono, the head of the Japanese delegation, plans to be in Moscow for at least ten or fifteen days. He has indicated that he will try to meet with Bulganin, Khrushchev and other top Soviet leaders.

Although the government has confined Kono's powers to the fishing issue, Kono told Ambassador Allison prior to his departure for Moscow that he would explore for himself and the Japanese cabinet actual Soviet terms for a peace settlement with Japan. Such informal talks will afford the USSR an opportunity, in the context of a situation adverse to the Japanese negotiating position, to propose once again that relations between the two countries be normalized.

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ANTI-STALINISM DEVELOPMENTS
IN THE USSR

Developments in the USSR in the past two weeks suggest that the Soviet leaders are trying to work out a middle course between the "liberalism" engendered by the anti-Stalin campaign and the need to preserve party discipline and maintain the position of the present leadership. A speech by Pravda editor Shepilov noted the importance of "the role of the chiefs and leaders," and articles in Pravda and Party Life condemned "anti-party" statements by Soviet officials. At the same time, administrative measures were taken to control the work of Soviet state security organs to prevent

a repetition of the abuses of the Stalin era.

Notes of Caution

Shepilov, chosen to deliver the main address at the Lenin anniversary celebration on 22 April, produced an abbreviated Soviet progress report patterned closely after Khrushchev's principal speech to the party congress in February. In one of the few noteworthy parts of his speech, Shepilov called for "complete liquidation of all the consequences of the cult of Stalin," but reminded his audience that collective leadership does not

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mean "administration by production meetings, schools, army, and so forth." He went on to say that Marxism-Leninism fights both against the idealist view that heroes are the main creative agents of history, and against anarchism which denies the rightful authority of leaders.

Prior to Shepilov's speech, articles in Pravda and Party Life had clearly indicated that some elements in the party had exceeded the bounds permitted for criticizing the cult of personality.

Pravda admitted that "under the guise of condemning the cult of the individual, some rotten elements are trying to question the correctness of the party's policy." It warned that "the party cannot permit the freedom to discuss problems to be interpreted as the freedom to propagate views alien to the spirit of Marxism-Leninism, because this contradicts the provisions of the party rules and the party principles."

Party Life also took up the attack by scoring "certain meetings where demagogic speeches were made in which criticism of the cult of personality in part amounted to a negation of any kind of authority whatsoever and to undermining management, discipline and sense of organization."

Anti-Stalin Drive Continues

Administrative measures to combat Stalinism were also undertaken, however. The official journal of the Presidium of the USSR Supreme Soviet announced on 23 April the creation of a special group empowered to supervise the work of Soviet state security organs. As a special division in the office of the USSR prosecutor general, the group will carry out the provisions of a Supreme Soviet

decree of 20 June 1955 which specifically assigned to the prosecutor general's office the responsibility for inspection of Soviet investigation agencies, criminal and civil courts, and prisons.

Creation of the new group, which serves to tighten administrative control of the formerly autonomous state security organs, is evidently a part of a broader reorganization of the prosecutor general's office and may be the first step in a general overhaul of the Soviet judicial system as demanded by Khrushchev at the 20th Party Congress.

Announcement of the creation of the new group followed closely a denunciation in Soviet State and Law of the "trial by confession" tactics employed by the late Andrei Vyshinsky, Soviet prosecutor general during the purge trials of the late 1930's. In asserting that the condemnation of persons on the sole basis of confession was a glaring violation of Soviet law, the journal implied that state security organs had been responsible for extorting confessions from accused persons without due regard for the validity of charges lodged against them.

Other signs of the times have been noted in the decision to change the name of the party's top school of ideology from the Marx-Engels-Lenin-Stalin Institute to the Institute of Marxism-Leninism, and in the recent appearance in Pravda of the name of Alexei Rykov, a former Soviet premier who was executed in 1938. No mention was made of the role of "traitor" assigned to Rykov by Stalin.

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ANTI-STALINISM CAMPAIGN
IN POLAND AND CZECHOSLOVAKIA

The Polish regime, apparently to demonstrate that a new era of legality and freedom of expression has opened, has dismissed five high officials and arrested two others associated closely in the public mind with responsibility for the injustices of the Stalin era. The officials concerned had been responsible for the administration of justice and internal security. Prague on 25 April announced the dismissal of Czech Defense Minister and First Vice Premier Cepicka from these posts and from the politburo. According to earlier reports, removals similar to those in Poland were to occur soon in the Czech government.

Poland

On 20 April, the Polish regime announced the dismissal of former minister of public security Stanislaw Radkiewicz from his post as minister of state farms. He was minister of public security from 1944 to 1954, and it was probably his role in the purge trials of that period that has now brought about his departure from the government.

Dismissed with Radkiewicz were the prosecutor general and the military prosecutor general. The following day the minister of justice was relieved of his post. On 24 April two more Polish security officials were arrested, the former deputy minister of the Ministry of Public Security and the onetime chief of Department X of that ministry. All these men were responsible during the Stalin era for the persecution of many officials who are now being released because their imprisonment now is deemed to have been unjustified.

The Polish minister of culture has also been removed, probably because he was unable to keep the new freedom of expression within the limits desired. The government had hoped that the increased freedom would be used in a manner it considered "constructive," but the criticism that followed was so extensive, a warning had to be issued that the use of attacks on the cult of the individual to disguise attacks on the party would not be permitted. The new minister of culture will have the task of enforcing limits on the new freedom and yet persuading the people that within these limits they have more freedom than before.

Czechoslovakia

Czech defense minister and first vice premier Cepicka was removed from these posts and the politburo on 25 April, according to a Prague announcement. Cepicka is the son-in-law of the late premier, Gottwald, who was criticized recently for practicing the cult of personality. According to an earlier report from the French ambassador in Prague, who informed the American embassy, Communist sources have stated that Vice Premier Kopecky, Slovak party first secretary Bacilek, and Minister of Culture Stoll are also to be dismissed soon.

Kopecky and Bacilek are also members of the Czech politburo. As former heads of the ministries of culture and security respectively, they, along with Stoll, are vulnerable as was Cepicka, because of the roles they played after the war in stifling all criticism and allowing the organs of justice to be used in an arbitrary manner during the Stalin era.

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There probably will be further dismissals of Satellite officials who have been connected with cultural affairs and with the administration

of justice in an effort to convince the people that a clean break is being made with the Stalinist practices. 25X1

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EAST GERMANY MAY TIGHTEN BORDER CONTROLS

The East German regime may impose more stringent border control measures prior to the May Day celebration in an effort to reduce the flow of refugees, particularly technicians and men of military age. These measures would include more thorough control of all traffic to Berlin, closer checks on the intersector borders within Berlin, and tighter controls on the border between East and West Germany.

The confusion and movement in connection with the holiday would provide opportunities for flight to the West unless border controls were tightened.

The East German regime is seriously concerned about the loss of military and technically skilled manpower. Since 1 January 1955, 42,080 East Germans of conscription age have escaped to West Berlin alone and about as many have fled directly across the West German border. Approximately three fourths of these military age refugees are males.

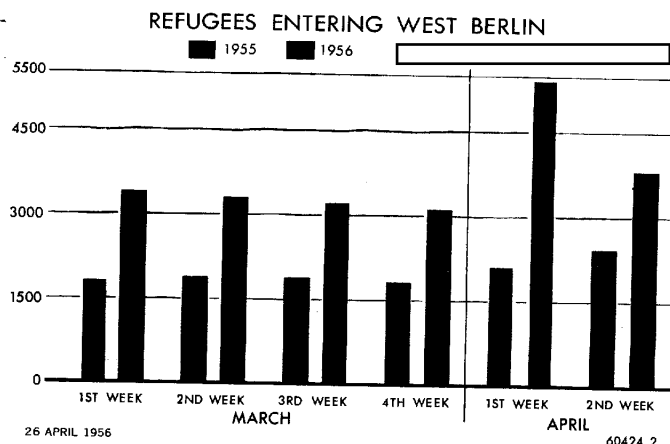
During the week of 6 to 12 April, 972 out of a total of 3,882 refugees registering in West Berlin were between the ages of 17 and 24. This is the

largest number of refugees in this age group in any week since the beginning of November 1955.

Although elaborate preparations are being made for the May Day celebration, no serious trouble is expected in Berlin. Armed demonstrations in West Berlin or the provocation of incidents on a large scale would be inconsistent with the current Communist line of relaxing tensions between the Communist and non-Communist blocs.

Recent reports state that East German army units will parade on May Day. Major emphasis of the celebration will probably be placed on "workers' accomplishments" in the German Democratic Republic, however, rather than on the newly established army. 25X1

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GOOD-WILL VISITS OF SOVIET NAVY

Soviet naval power will be on display during July and August this year, when the USSR is scheduled to exchange good-will naval visits with the Netherlands, Denmark, Sweden and Norway. In each case a Soviet cruiser and two destroyers will be involved. This unusually heavy schedule is undoubtedly intended to impress these small nations not only with Soviet good will but also with Soviet naval strength in European waters. Moscow has been making particular efforts lately to encourage Scandinavian neutralism and develop a variety of exchanges between the USSR and Scandinavia.

The first postwar Soviet naval visit to a Western port occurred in 1953, when a new Sverdlov-class cruiser participated in the naval review at Spithead in connection with the British coronation. Since then Soviet naval units have twice returned to England and have paid visits to Sweden and

Finland. Communist Party leader Khrushchev and Premier Bulganin arrived for their current visit to Great Britain on the Ordzhonikidze, a Sverdlov-class cruiser of postwar design which probably was extensively overhauled at Kronstadt last December.

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LABOR UNREST IN SPAIN

The strike wave in northern Spain is the latest manifestation of the worker's discontent over the rising cost of living. The discontent has been increasingly vocal since the fall of 1955, and further unrest is likely unless the government carries out its promise to keep prices down.

The walkout of thousands of Spanish textile, metallurgical and other workers began on 9 April in the province of Navarre and spread to Barcelona and various cities in the Basque provinces. It was essentially a protest against the

inadequacy of the government's 20-percent wage boost on 1 April and the sharp increase in prices which they claimed followed it.

In several cases the workers reportedly won very substantial wage increases through negotiations with management. State officials later annulled these concessions, however. They closed many plants, announced that workers on strike would lose their seniority rights, and arrested a considerable number of strikers despite the orderly nature of the walkouts.

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While the strikes pose no immediate threat to the stability of the Franco regime, the fact that they were carried out in the face of legal prohibitions and followed the official wage boost has caused the government concern. Censorship remains in force in the affected regions, suggesting that the situation is still tense and that the authorities fear the strike may spread to other parts of the country. Two cabinet ministers have blamed the strikes on

"subversive elements across the border"--a favorite government tactic to avoid public blame for an unsavory situation.

These developments show that there is a limit to the workers' tolerance of adverse living conditions. Continued delay on the part of the Franco government in correcting the situation may cause more serious demonstrations and further diminish popular support for the regime. [REDACTED]

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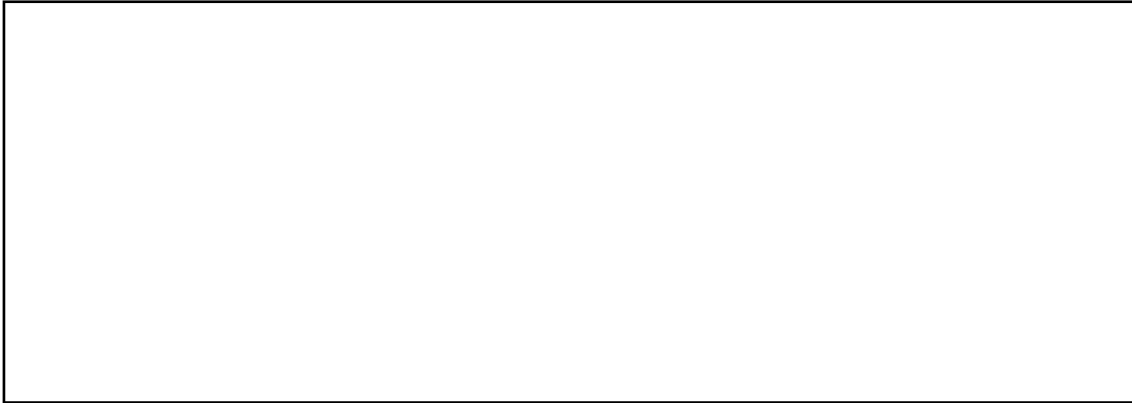
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**POLITICAL TENSION IN PARAGUAY**

Political tension is mounting in Paraguay as a result of recent student clashes with the police and increasing agitation by opposition groups. The Communists are reported planning a general strike on 1 May to exploit rising dissatisfaction with the government and economic conditions. Moreover, the government is gravely concerned over the efforts of the former president of the Central Bank, Mendez Fleitas, to return from exile.

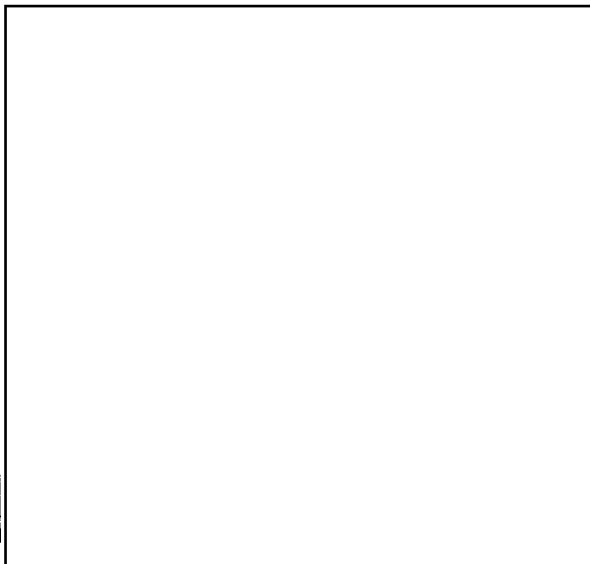
Student Clashes

The opposition-dominated student federation in mid-April called meetings in Asuncion in which it sharply criticized dictatorial government and government control of the national university. This criticism was echoed by delegations of Argentine and Uruguayan students invited to the meetings, and resulted in clashes with progovernment students and later the police. Members of the Argentine delegation were temporarily arrested, along with Paraguayan students, and Argentina has called its ambassador home to report on the situation.

The student federation probably timed this incident

to offset the improvements in Argentine-Paraguayan relations resulting from the Argentine army minister's visit to Paraguay in late March. The severely repressed Liberal Party, which dominates the federation, has had high hopes of obtaining Argentine aid--official or unofficial--in its stepped-up plotting and propaganda activities, and such a development would be prejudiced by improved relations between the two countries. Relations had been strained since Peron's ouster, as Argentina considers a number of Paraguayan officials to be pro-Peron.

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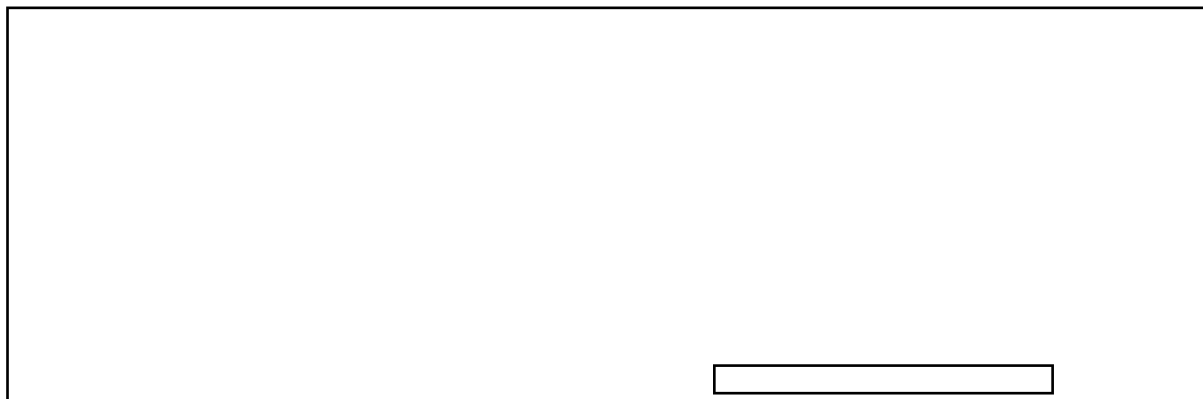
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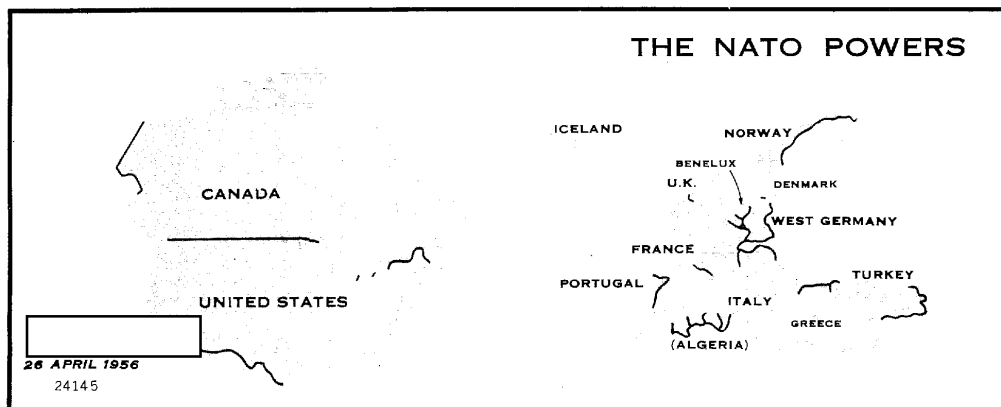
PATTERNS AND PERSPECTIVES

THE CHANGING ROLE OF NATO

The ministerial meeting of the North Atlantic Council (NAC) on 4-6 May will take place amid widespread criticism of NATO as inadequate for countering Soviet expansion under the changed military and political conditions of 1956. Most of the criticism focuses on NATO's lack of political unity and direction. The council meeting, which will be attended by foreign ministers only, will concern itself with political rather than military matters in a search for more effective methods of achieving political co-operation.

tendency of the larger powers to bypass or ignore NATO on important questions--as, for example, France's troubles in North Africa that gave rise to the dispatch there of NATO-committed troops.

Much of the criticism boils down to the view that NATO, which was established primarily to provide an umbrella of military security, has not developed machinery to deal with the multitudinous problems of competitive coexistence. It has joint military planning, but no joint political planning.



Criticism of NATO, increasingly evident in most Western European countries, stems from a number of situations. There is continuing doubt over the usefulness of large ground forces in an H-bomb era.

A new and more widespread concern is that NATO lacks the flexibility to counter the current Soviet threat of nonmilitary expansion in the underdeveloped regions of the world. Furthermore, NATO has come under attack for failing to resolve the disputes among its own members, such as the Cyprus issue, and also for what is seen as a

Role of Article II

Those insisting that the "nonmilitary aspects" of NATO must now receive greater emphasis turn for authority to Article II of the North Atlantic Treaty. At last December's ministerial meeting, the council was instructed to examine and implement measures conducive to greater co-operation under this article. Article II states:

"The Parties will contribute toward the further development of peaceful and friendly international relations by strengthening

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their free institutions, by bringing about a better understanding of the principles upon which these institutions are founded, and by promoting conditions of stability and well-being. They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them."

The difficulty in finding adequate terms of reference for joint political planning stems both from the vagueness of this statement and from national attitudes. Joint military planning evolved under the threat of a danger which appeared almost identical to every member of the alliance; political planning, to become a joint enterprise, must take account of 15 views of what constitutes the danger and how to deal with it.

Political Consultation

The desire to expand political consultation within NATO is most often expressed by the lesser powers.

Turkish prime minister Menderes complained to British foreign secretary Lloyd recently that France, Italy and even Britain are approached by the USSR and respond bilaterally, without co-ordination. German NATO representative Blankenhorn has said there is scarcely a problem on which NATO is genuinely united, and maintains that each country is overly preoccupied with its own difficulties.

The Belgian NATO representative recently observed that since the December resolution on implementing Article II, there had been a good deal of diplomatic activity on which there had been no discussion in NATO. He referred to the sometimes conflicting statements by the Big Three foreign ministers involving

Western policies and added that disagreements among the Big Three were very disquieting to smaller countries.

The German representative suggested that one hindrance to consultation is the "immobility of bureaucracy of foreign offices," which need to be educated in the usefulness of NATO as a political forum.

There is no doubt that during the last several years NATO representatives have made increasingly fruitful use of the weekly council meetings, especially the private ones where no records are kept, for a frank exchange of views. There has grown up a rapport within this group despite hindrances from their respective foreign ministries, which often impose restrictive instructions on their representatives. Both the British and the Germans have remarked that these restrictions are largely responsible for the current sense of frustration plaguing NATO.

Joint Economic Action

There has been considerable discussion of the proper role of NATO in the economic field. It is now generally accepted by member nations that NATO's interests are not confined to its own geographic framework, but are world-wide. The Middle East is of particular concern at the moment as an area where Soviet economic penetration must be countered.

Although no firm conclusions have yet been reached, it is becoming clear that the permanent representatives no longer favor the creation of NATO mechanisms for actual programing or operation of economic aid programs. Nor is it considered desirable that NATO duplicate existing international machinery in the field of trade, balance of payments, tariffs and aid.

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The central idea of most countries now seems to be that there is a place in NATO for discussion, and, if possible, agreement, on broad principles of economic policy which might then be put into effect through other organizations. This would not demand block voting by NATO members in the other organizations, but would contribute, they believe, to a gradual alignment of member countries' economic principles and policies.

The Coming Meeting

Preliminary activity indicates extraordinary interest in the May meeting. At British insistence, for example, the usual agenda topic "Trends and implications of Soviet policy" was expanded by the phrase "including political and economic penetration of underdeveloped countries." Four papers on this subject (British, German, French, Italian), already circulated to the council, will be considered during the meeting. Discussion of this topic will probably be opened by British foreign secretary Lloyd, who will report on the Khrushchev-Bulganin visit to Britain.

The staff paper on the Soviet Sixth Five-Year Plan concludes that during the next five years the USSR is likely to maintain a rate of industrial expansion considerably above that of NATO countries at the same time it strengthens its defense effort. It notes that a similar projection of economic trends in NATO and the Soviet countries submitted to the council in December 1955 may have underestimated the Soviet rate of growth. A separate item concerns political and economic

questions arising from current Soviet tactics.

After consideration of the implications of current Soviet policy, the ministers will take up other questions of common concern in the international situation, including North Africa, the Middle East, the Far East, Germany and disarmament. Indications are that the French will open discussions on North Africa, the Turks on the Middle East.

"Germany" was put on the list at Canada's suggestion so the council could, if it desired, include a statement in its communiqué which would continue to make its position on reunification clear to public opinion. Both Britain and Belgium have indicated they might raise the question of support costs in relation to Germany's NATO contribution. Information on the status of the London disarmament talks has been requested by West Germany, Italy, Norway and Belgium, the last stressing its need to know the Western position, including any existing disarmaments.

Commenting on the lack of adequate political consultation as contributing to the current frustration in the council, the British NATO representative remarked last month that even the ministerial meetings consisted to a large extent of statements by respective ministers rather than a give-and-take exchange of views. Present indications are that the forthcoming meeting will be characterized more than before by give-and-take discussions.

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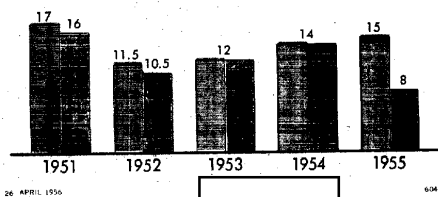
CURRENT SOVIET ECONOMIC DEVELOPMENTS

The economic strength of the USSR today is impressive. With an economy slightly more than one third that of the United States, the USSR is supporting a military program in which outlays for military purposes are nearly equal to those of the United States. At the same time, it is forcing the growth of its economy by directing a higher share of its resources to investment than is the United States.

Investment

The present policy is based on the doctrine that the production of producer goods must increase at a rate faster than the production of consumer goods. During 1953 and 1954 this relationship was changed temporarily.

USSR PRODUCTION INCREASES (Percent)
1951-1955
■ PRODUCER GOODS ■ CONSUMER GOODS



While the great bulk of capital investment will be channeled toward producer goods industries, consumer goods industries will receive 74 percent more investment funds during the Sixth Five-Year Plan than in the Fifth, apparently concentrated in the latter half of the period.

Capital investment in heavy industry is planned to increase 70 percent during the same period. Soviet statements make it clear that the production of consumer goods will not increase at as high a rate as the production of producer goods

at any time during the Sixth Five-Year Plan, but the rising share of investment allocations for the former will tend to reduce the present gap.

Industrial Base

Rapid expansion of the Soviet economy from what is already a large industrial base will require intensified expansion of raw material and energy sources in future years. Expansion in these fields will require a larger share of total capital investment and will compel some slowing of growth in the machinery and metal-fabricating sectors.

The cost of the new expansion effort can be seen from Soviet data. To expand annual production of electric power by one ruble requires four times the average capital outlay necessary to increase by one ruble the production of Soviet industry as a whole. In the fuel extractive industries, three times the average outlay is required, and in metallurgy--twice. Thus under the Sixth Five-Year Plan a greater expenditure in investment will be required per unit of increased production than under previous plans.

Much of this new investment will be concentrated in Asia, particularly in Kazakhstan and Siberia. Concentration of construction efforts in the east will require industry in the European USSR to rely on an extensive program of capital replacement and introduction of improved technology in existing plants to achieve increased output goals.

Military Program

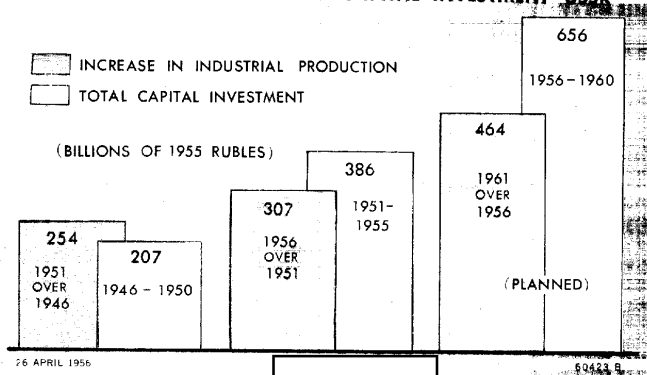
The shifts in military expenditures have been obscured by a highly publicized reduction in the budget for the Ministry of Defense from 112.1 billion rubles in 1955 to 102.5 billion

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INDUSTRIAL PRODUCTION AND CAPITAL INVESTMENT USSR

military procurement by 1960, while maintaining the planned investment program in industry.

Consumer Goods

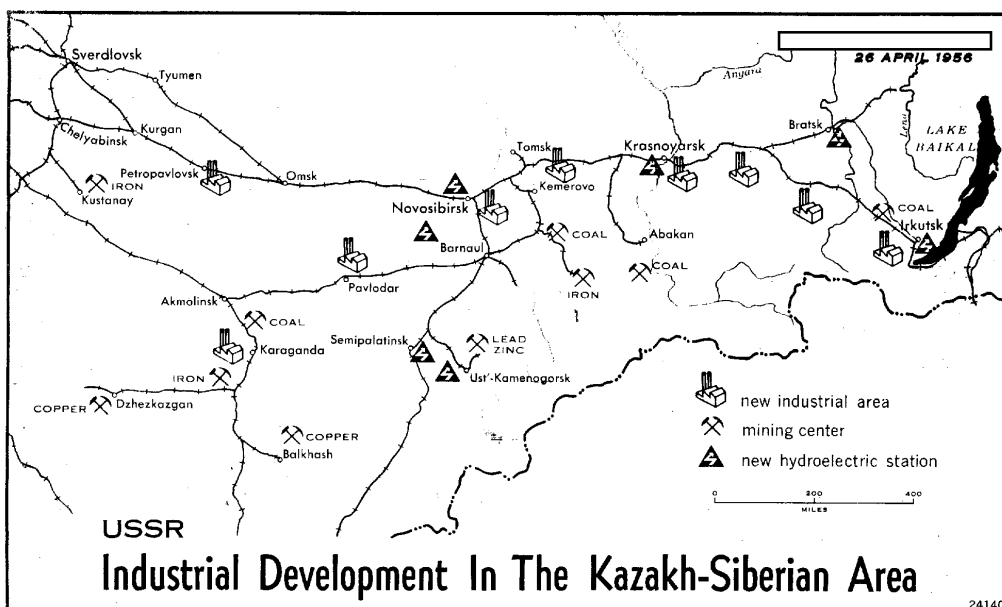
The high level of expenditure for the military program and for investment has retarded the rise in the living standard, although there has been a steady improvement. During the Sixth Five-Year Plan,

there will be more adequate supplies of clothing, livestock products, consumer durables, and housing.

Agriculture

A key to a higher standard of living and thus to stronger incentives for the Soviet worker is agricultural production. As a result, agriculture continues to be a major beneficiary of the post-Stalin revisions in economic policy. Its share of total state capital investment will rise from 10.8

in 1956. Demobilization of 640,000 men, if it has been carried out as announced, has reduced personnel costs by some 5 billion rubles. In addition, when allowance is made for price reductions which may have cut procurement costs by as much as 10 percent, the 1956 appropriation appears equivalent to about 110 billion rubles at 1955 prices. Under these conditions, procurement of military equipment may increase in 1956 by 3 billion rubles. If the USSR desires, it can achieve considerable further increases in



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percent realized during the Fifth Five-Year Plan to 12.1 percent of the much larger total in the Sixth.

In addition, Soviet leaders apparently intend to keep the agricultural labor force at its present level, at least until its productivity, traditionally very low, rises sharply. Until 1953 it was common practice to divert labor from agriculture to industry to achieve industrial production targets. A higher priority for capital and labor should bring sharp increases in Soviet agricultural production, although probably not enough to meet the very ambitious targets for 1960.

Efforts to restrict the importance of the private plots of collective farmers may complicate the immediate agricultural program, but may yield long-run economic advantages. The level of agricultural productivity is to be raised by reducing time spent on the private plot. Soviet leaders consider this to be a marginal effort, particularly in the case of private livestock production. Immediate effects on agricultural production may be adverse, however, if coercion creates resentment among collective farmers.

Labor Force and Productivity

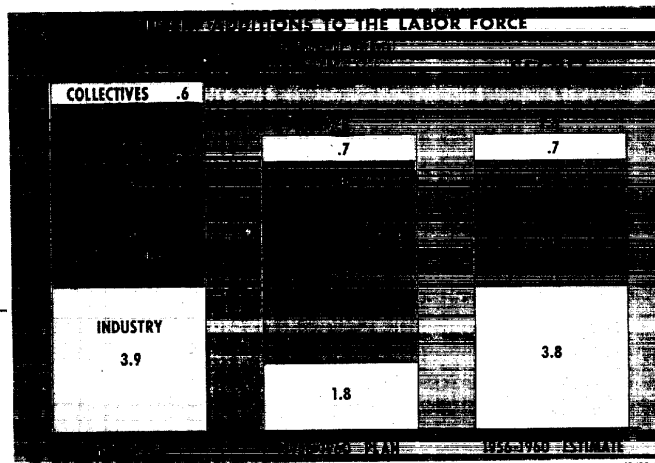
Another serious problem facing Soviet planners during the next five years is maintaining a rapid rise in the productivity of labor. In the past, the planned level of industrial production was reached, despite failures to achieve scheduled levels of worker productivity, by the expedient of transferring to industry greater numbers of workers than had been planned. This procedure is difficult

to apply at this time, when effects of the low wartime birth rate are being felt in lower additions to the labor force.

The Soviet economy received 9,300,000 new workers in 1951-55, but will only get 7,800,000 in 1956-60. Of these totals, the numbers going to the industrial sector are to fall from 3,900,000 achieved under the Fifth plan to 1,800,000 scheduled under the Sixth. To achieve the 65-percent increase in industrial production called for by the new plan in the face of this handicap requires a 50-percent increase in output per worker by 1960.

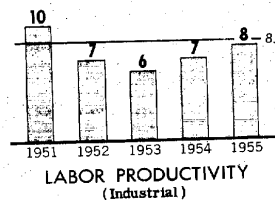
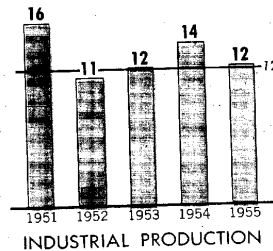
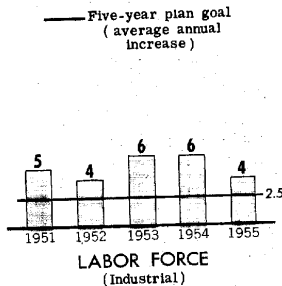
This ambitious requirement will in effect be raised even higher by the scheduled reduction of the workweek from 48 to 41 hours. Shorter hours may induce some improvement in efficiency, but even a 42-hour week by 1960 would require a 70-percent increase in productivity, a level which the Soviet worker is unlikely to reach.

The new Five-Year Plan, however, apparently has made allowance for this eventuality. The 4,300,000 new workers allotted to "other" sectors--neither agricultural nor industrial--is larger than expected

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**USSR
PERCENT ANNUAL INCREASES
(1951-1955)**

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and may include a considerable reserve of unallocated labor. Thus by holding to the minimum the flow of new labor into agriculture, government, and services, the allocation to industry might be pushed from 1,800,000 as high as 3,800,000. With this much leeway, a 5- to 10-percent underfulfillment of the productivity goals could be absorbed without loss to industrial production.

Should the productivity program run into more serious trouble, two further courses of action will still be open to Soviet planners. They could renege on their promise to reduce the workweek, and freeze it at a level above 41 hours. Finally, as a last resort, they could again transfer labor from agriculture to industry.

Planning Problems

The probable consequences of these measures illustrate the complexity of the equations which the Soviet government has to solve. The effect on worker morale of a failure to reduce the workweek might reduce productivity enough to cancel out the gain in working time. A reduction in agricultural labor might slow the growth of agricultural production, and thus of

food supplies and consumer goods, again to the detriment of worker morale. These intangible factors, like the effect on productivity of shorter hours, are extremely difficult for the Soviet government to evaluate.

Similar equations govern the distribution of investment capital. Funds allotted to agriculture may improve industrial worker morale and productivity. Funds allotted to plant modernization yield the same result more directly. The need to increase industrial production must be balanced against the need to strengthen the raw material and energy base. Overall industrial investment must be balanced against military needs in an era when the cost of modern armaments is steadily rising.

The USSR has set its sights high in the solutions it has proposed for these problems, but in the main not too high for success. After 1960--when growth in the labor force returns to normal, the new industrial development of Siberia and Kazakhstan begins to pay dividends, and the present economic policies in agriculture are reflected in increased yields--even higher goals can be set.

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OUTER MONGOLIA

The announcement on 8 April, during Soviet leader Mikoyan's visit to Ulan Bator, of the conclusion of an aid agreement between the USSR and Outer Mongolia underscores Moscow's continuing predominance in the development of Outer Mongolia.

Soviet exploitation of oil and mineral resources in the country is being stepped up as a result of the completion of the Trans-Mongolian Railroad. In international affairs, Outer Mongolia is completely subservient to the USSR, which may again try to use the country's candidacy for membership in the United Nations as a means of attempting to embarrass the United States in its relations with the Chinese Nationalists and Japan. Despite increasing Chinese Communist interest in Outer Mongolia, traditionally Chinese territory, Peiping shows no inclination to press its claims at this time.

Foreign Relations

Ever since the "Mongolian People's Republic"--population about 1,000,000--was founded and Mongol Communist leaders received Soviet assistance in liquidating nationalists and pan-Mongolists in 1924, the foreign policy of Outer Mongolia has been directed from Moscow. At present the regime has embassies only at Moscow, Peiping, and Pyongyang and a legation at Hanoi. The ambassador in Peiping is also accredited to New Delhi. Dasiyu Adilbish, the ambassador to the USSR--who was concurrently accredited to all Eastern European Satellite governments--was appointed Ulan Bator's new minister of foreign affairs on 17 April.

Although the USSR continues to direct Outer Mongolia's foreign policy, it has recently permitted Ulan Bator to assume a

more independent posture. The visit to India in January of Ulan Bator's newly appointed ambassador to New Delhi--resident in Peiping--marked the first time since 1925 that the Soviet Union had allowed an Outer Mongolian official to engage in bilateral diplomatic contact with any nation outside the Communist bloc. India's action last January to formalize relations with Outer Mongolia will strengthen the USSR's position supporting the Mongolian regime's candidacy for UN membership.

UN Membership

The question of Outer Mongolia's admission may arise again if the Japanese renew their application for United Nations membership this fall. The Russians may again offer to vote for Japan if Outer Mongolia is also admitted, hoping thereby to confront the United States with a choice between agreeing to seat Outer Mongolia or continuing to support the Nationalists at the cost of Japan's continued exclusion.

International recognition of the Mongolian regime and its admission to the United Nations is complicated by the question of Outer Mongolia's "independence." Nationalist China and the Soviet Union exchanged notes in August 1945 agreeing to a plebiscite to decide Outer Mongolia's independence. The plebiscite, carried out two months later, resulted in a "unanimous" vote for independence and legally ended Nationalist China's theoretical sovereignty over Outer Mongolia.

In 1946 and 1947, the USSR sponsored Mongolia's application for membership in the United Nations. Nationalist China, which had recognized Outer Mongolia's independence in January 1946, voted in favor of the

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regime's admission at the same Security Council session in August 1946 at which the United States voted against it. The Chinese Nationalists changed their vote in 1947; their veto last December was accompanied by the renewed claim that Outer Mongolia is "Chinese territory."

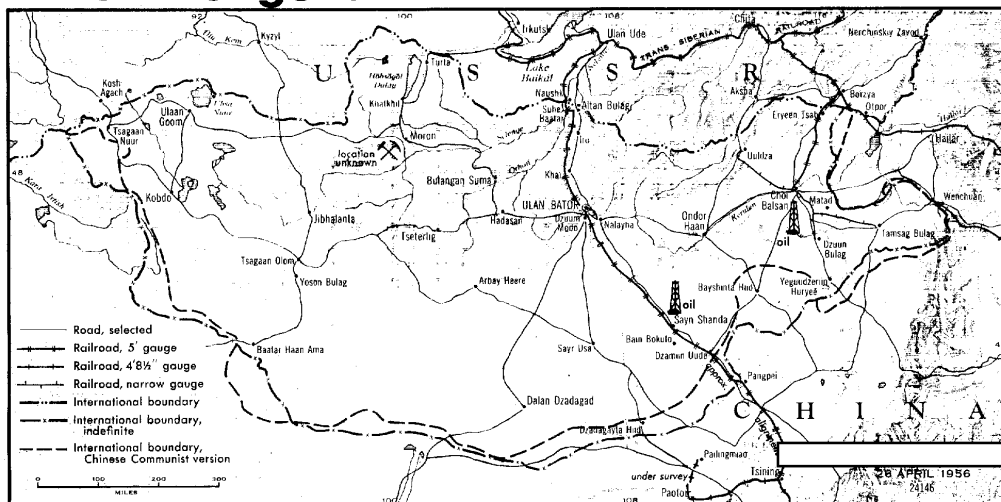
Domestic Affairs

The Soviet Union also effectively controls Outer Mongolia's domestic political and economic affairs. The farcical plebiscite of 1945 demonstrated that Soviet-controlled political police were in the country. Each voter was obliged to sign his ballot or, if illiterate, to "indicate his identity by the fingerprint of his right thumb." The 28,000-member Mon-

it has faithfully followed Moscow's re-evaluation of Stalin. The two ranking leaders of the Mongolian regime appear to be Prime Minister Yumzha Tsedenbal and Dashin Damba, first secretary of the central committee.

Economic Development

The general population is reluctant to depart from its nomadic pursuits--90 percent of the population gains its livelihood from animal husbandry--and it is not surprising that mineral and transport development have hinged on Soviet initiative. While Soviet-sponsored joint enterprises have been largely abolished in Far Eastern and European Communist countries, in Outer Mongolia they still continue to be the

Outer Mongolia

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golian People's Revolutionary Party (MPRP)--i.e., the Mongolian Communist Party--is the only authorized political party and is the USSR's instrument of control. Since the death of Stalin the central committee of the MPRP has been obliged to "collectivize" party leadership, in accordance with changes in its Soviet counterpart and, following the 20th Party Congress,

basic organizations directing Mongolia's few modern economic activities. Foreign trade is almost exclusively with the USSR.

The continuing predominance of Soviet economic controls was assured on 8 April when Mikoyan concluded a long-term aid agreement in Ulan Bator. Chief significance of

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the agreement was the implication of future improvement and development of Mongolia's few narrow-gauge rail lines. These may be converted to the Soviet broad gauge and eventually linked with the new Trans-Mongolian trunk line.

The most significant recent economic undertaking has been the joint Sino-Soviet construction of the Trans-Mongolian Railroad which began full service on 1 January. Some 715 miles shorter than the present Moscow-Peiping rail link through Manchuria, this line is becoming a major artery for trade between the USSR and Communist China. Its estimated capacity of at least 2,700,000 tons each way annually will add more than 50 percent to the present capacity of Sino-Soviet rail connections. The line extends the Soviet broad-gauge system into China proper for the first time, to the change-of-gauge transloading station of Chining--some 200 miles northwest of Peiping.

A mining enterprise might be associated with the construction of a new city of possibly 30,000 population somewhere in the mountainous, sparsely populated northwest region. Soviet newsreels show that the town stretches across a wide valley and may be the third largest city in the country. Other evidence of economic activity in the northwest is the establishment in 1955 of new truck transport bases in this region.

Sino-Soviet Interests

In addition to its political and economic value to the USSR, Outer Mongolia is a buffer strategically important for the security of the Lake Baikal industrial complex and the Trans-Siberian Railroad, both of which are close to its border. To the Chinese Communists, the region provides an important axis of communication with the USSR, facilitating the movement of essential commodities between the two countries.

Outer Mongolia signed an "economic and cultural cooperation" pact in 1952 with Communist China--its first known agreement with a country other than the Soviet Union--and the Chinese have an increasing interest in Outer Mongolia's economic potential. However, the predominance of Soviet control over all activity in Outer Mongolia will probably continue for a long time.

Although the leaders of the Peiping regime apparently do not now have aspirations for regaining portions of this traditionally Chinese territory, they may wish to press claims at some future time. Peiping has kept open the door to such claims. Thus the latest Chinese Communist maps, unlike those of the USSR, show the Sino-Mongolian border as "undemarcated," with territorial advantages varying from

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40 to 100 miles on the side of
China. The USSR and Communist
China apparently have avoided
a showdown on the matter of

over-all border delimitation
or, at least, any public sug-
gestion that it is a problem
of immediate concern.
(Prepared jointly with ORR)

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